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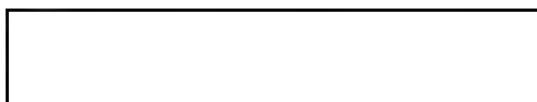
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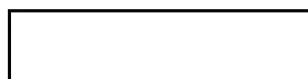
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CHILE

Former president Eduardo Frei's attack on the Pinochet government's economic policy has generated sharp rebuttals from at least one junta member and the minister of economy.

Frei, in an article published on May 28, said the government's policy is no remedy for Chile's serious economic problems and that the government must intervene in the market while attempting to secure sizable amounts of foreign assistance. Frei, a respected statesman and spokesman for the Chilean Christian Democratic Party, may have criticized the government's economic program publicly to let the Chilean public know that his party is still concerned with the country's well-being.

President Pinochet chose not to respond personally to Frei's criticism, which suggests that more dissent of this type will be allowed in the future.

In a speech on May 30, however, air force commander in chief and junta member General Gustavo Leigh castigated Frei—although not by name—for failing to offer a constructive alternative to Chile's economic problems. A day later, Minister of Economy Sergio de Castro declared that the policies of the Frei administration had precipitated the current economic problems by causing income distortions, high inflation, and low growth rates. De Castro also blamed Frei for failing to give the Pinochet administration's employment program credit for reducing the country's jobless rate.

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JAPAN

The long economic slump in Japan has finally prompted Tokyo to take stronger remedial measures. Even so, real gross national product is continuing its downward slide.

In the first quarter of this year, government spending on public works went up 7 to 9 percent in real terms over the preceding three months. This is in sharp contrast to what government officials have been saying for public consumption. They have been taking the line that they have done and expect to do little to stimulate the economy for fear of generating further inflationary pressures. Credit policy has also been eased again; last week, the discount rate was cut to 8 percent.

First-quarter consumer spending rose 2.9 percent in real terms over the preceding period—the biggest jump since the slump began in late 1973. There has been a steady rise in real incomes since late last year, leading to a rise in consumer spending and a drop in savings rates. As a result, inventory liquidation has proceeded rapidly. The strong showing in the government and consumer sectors held the drop in real gross national product to 0.7 percent for the quarter.

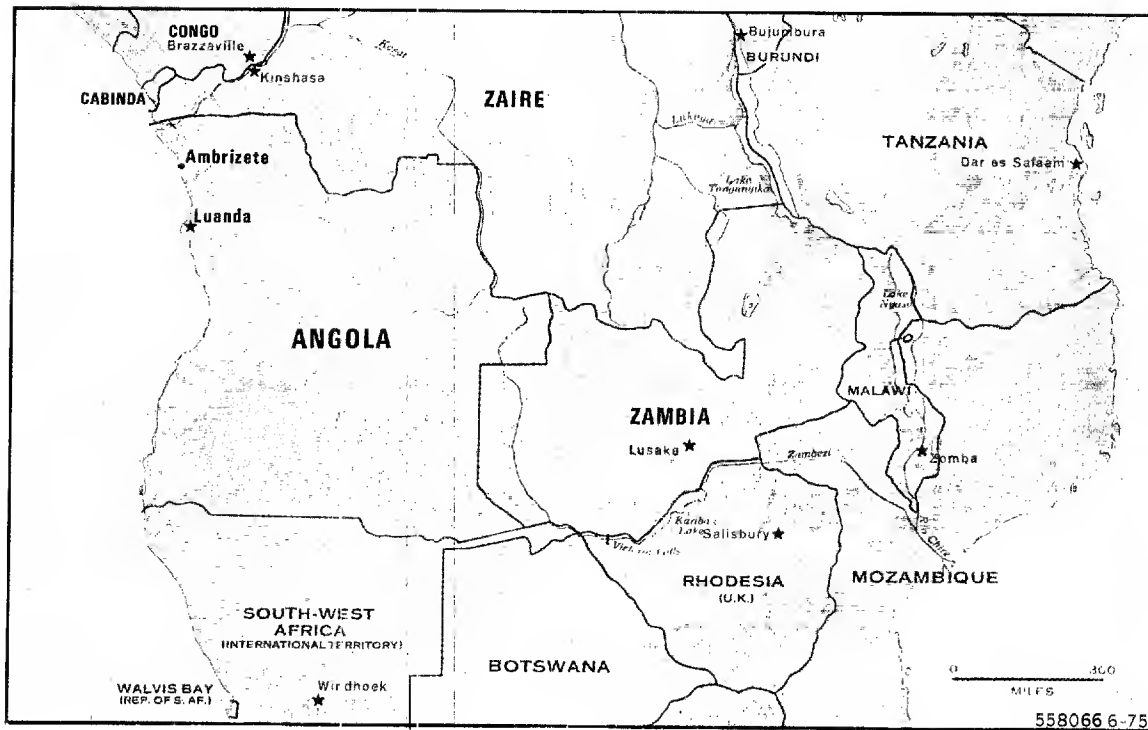
There are still serious weak spots in the economy. Private capital spending remains slack, dropping slightly in the first quarter compared with the preceding period. Housing was down 9.6 percent from the fourth quarter in 1974, negating the impact of the increase in government spending. Export performance also remains weak, although offset by an even larger decline in imports. The inflation rate, as reflected in the consumer price index, had been slowing, but now appears to have leveled off. New price increases are possible in the month ahead as earlier cost increases are passed on to consumers.

Tokyo still considers inflation control its number-one priority and hopes to hold inflation below a 10-percent annual rate by next spring. This is unlikely, however, if Tokyo continues to stimulate the economy at the current pace. Another set of spending measures is to be announced later this month. The new programs reportedly will involve more government spending, as well as lending aimed at boosting housing construction.

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ANNEX

Angolan Nationalist Groups May be Edging Toward Civil War

The Popular Movement for the Liberation of Angola and the National Front for the Liberation of Angola, the principal nationalist groups in the transitional government, may be edging Angola toward civil war.

The two groups have clashed repeatedly during the past two months in northern Angola, as well as in Luanda and Cabinda. The Popular Movement appears determined to establish military superiority over its long-standing rival. Last week, the Popular Movement also attacked units in Luanda of the smaller National Union for the Total Independence of Angola. The National Union, which has tried to remain aloof, fought back.

None of the three has the supplies or the mobility to wage a sustained military campaign, but the two larger groups appear to be preparing for that eventuality.

Bitter Rivals

The rivalry between the Popular Movement and the National Front dates back to the late 1950s, the early years of Angolan nationalism. Throughout the insurgency against Portugal, which began in 1961, the two groups fought each other almost as much as they did the Portuguese. In the early years, the National Front was dominant and was favored by the Organization of African Unity. By the late 1960s, however, it was overshadowed by the Popular Movement, which was able to swing most African states behind its cause. It also received a steady stream of military supplies from the USSR.

The transitional government installed last January has encouraged more competition than cooperation. It was constructed on a system of checks and balances in which members of one liberation group find themselves working, as government officials, with subordinates from the other groups. The integrated political, military, and police organizations of the transitional government have failed to maintain order because of the conflicting interests of the three participating groups.

Portuguese officials are not very effective because they are caught in the middle. Portugal still has about 24,000 troops in the territory, but most of them are stationed in and around Luanda. All of them are anxious to go home and would probably be unwilling to get involved in prolonged fighting.

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ANGOLAN NATIONALIST GROUPS

Group	Leader	Military Strength	Major Backers	Comment
Popular Movement for the Liberation of Angola (MPLA)	Agostinho Neto	8-10,000 in Angola proper; 2-3,000 in Cabinda	USSR, Congo	Strong Marxist orientation; Neto well-known throughout third world.
National Front for Liberation of Angola (FNLA)	Holden Roberto	8-10,000 in Angola proper; approximately same number in training in Zaire; 2-300 in Cabinda	Zaire, China	Pro-Western; poorly defined political philosophy.
National Union for the Total Independence of Angola (UNITA)	Jonas Savimbi	3,000 in Angola proper; 3-4,000 undergoing training; 200 in Cabinda	No major backers; seeking support	Pro-Western; moderate, largely inactive and little known outside Angola during the anti-Portuguese insurgency.

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Separate Armies

A major problem is that the independence agreement allows each of the three to maintain a separate army. Each group is required to contribute to an integrated national army, but all have shirked this commitment, steadily building up their own military forces, particularly in the northern half of the territory and in and around Luanda. The country is dotted with garrisons of the three groups living in uneasy co-existence.

The National Front and the Popular Movement draw the bulk of their tribal support from northern Angola and maintain their heaviest concentration of troops there. The two groups have established important bases in that area and dominate major supply routes to Luanda. The National Front has gained control of the port of Ambrizete, in northwestern Angola, partially relieving it of its dependence on Zaire.

Fighting in northern Angola on May 28 was started by a Popular Movement drive to disrupt the Front's supply routes and to force the National Front out of areas where the Movement's tribal supporters predominate. The Movement apparently suspected that a similar operation was launched by the National Front.

Reliable figures on the troop strengths of the respective groups are difficult to obtain. The groups inflate or deflate their own figures according to political necessity.

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It would appear, however, that each of the two major groups has about 8,000 to 10,000 troops in Angola, the bulk of which are in northern Angola. The third nationalist group, the National Union, has about 3,000 troops and apparently is having no difficulty recruiting more. The Popular Movement apparently has about 2,000 troops in Cabinda, where it has long been active. The other two groups have much smaller forces there.

The National Front may have an additional 10,000 troops in Zaire

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In Luanda, the Popular Movement has demonstrated that it can quickly mobilize large groups of well-armed irregulars, giving it a distinct advantage in the capital city. In recent months, the Popular Movement has been receiving more military supplies from the Soviets.

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Zairian President Mobutu, whose own country suffered years of civil war, is particularly sensitive to the prospect of similar turmoil in Angola. Both Zaire and Zambia, moreover, rely heavily on rail and port facilities in Angola to ship their copper.

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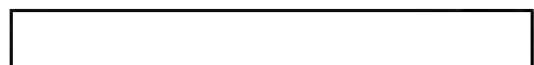
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